

PERSONAL SHAREHOLDER PROTECTION

What happens after the buy back?

The following example shows the position of the surviving shareholders following the buy back

Example

The company The Three Amigos Ltd is valued at €1,000,000 with 3 shareholders as follows

- | | | |
|----------|-----|---------------------|
| • Alan | 40% | €400,000 Life Cover |
| • James | 40% | €400,000 Life Cover |
| • Leanne | 20% | €200,000 Life Cover |

3 own life in trust plans are effected.

The premiums are paid by each shareholder personally.

Alan dies - What happens?

The sum assured on Alans plan of €400,000

- pays €266,667 to James who buys shares from Alans estate
- AND
- pays €133,333 to Leanne who buys shares from Alans estate

In line with the Legal Agreement.

The total number of shares held by the survivor, (the total value of his / her shareholding), will increase.

Shareholding after the buy back.

James's shares have increased 26.6 to 66.6

Leanne's shares have increased by 13.3 to 33.3

On a subsequent sale of shares by the survivor it is this increased value which will apply for the purposes of Capital Gains Tax. Any chargeable gain arising will of course be reduced by the money from the plan used to pay for the shares at the time of Alans death.

We advise that your client seeks professional tax and legal advice as the information given is a guideline only and does not take into account your client's particular circumstances.